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INFO RUEHBUL/AMEMBASSY KABUL PRIORITY 1068
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RUCPDOG/DEPT OF COMMERCE WASHINGTON DC PRIORITY
RHEBAAA/DEPT OF ENERGY WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RUEKJCS/JOINT STAFF WASHINGTON DC PRIORITY
RHEHNSC/NSC WASHINGTON DC PRIORITY
RUEKJCS/SECDEF WASHINGTON DC PRIORITY
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SUBJECT: PM GILANI CONFIDENT GOP WILL OVERCOME ENERGY
CRISIS, ASKS U.S. TO FOCUS ON IMMEDIATE NEEDS

REF: ISLAMABAD 02381

¶1. (SBU) Summary: In an October 24 meeting, David Goldwyn, Secretary's Coordinator for International Energy Affairs (S/CIEA) and head of the U.S. Delegation to the U.S.-Pakistan Energy Dialogue, commended Prime Minister Gilani on Pakistan's sound plan for addressing the country's energy crisis, in particular for its political courage in raising energy tariffs October 1 (reftel). PM Gilani stressed that Pakistan must focus on actions to address the country's immediate energy needs, and asked the U.S. to do likewise. In response to S/CIEA Goldwyn's suggestion that the GOP form a committee under a strong leader focused solely on implementing GOP plans to resolve the crisis, Gilani said that he himself already chaired a ministerial-level committee that met daily to track progress. End Summary.

¶2. (U) PM Gilani was accompanied by Minister of Water and Power Pervaiz Ashraf, Finance Secretary Salman Siddique, Managing Director of the Pakistan Electric Power Company (PEPCO) Taheer Cheema, Senator Syeda Sughra Hussain Imam, and Secretary Water and Power Shahid Rafi. David Goldwyn was accompanied by the Ambassador, Senior Director for International Economics at the NSC David Lipton, Assistance Coordinator Ambassador Robin Raphel, SRAP Senior Economic Advisor MaryBeth Goodman and EconCounselor (notetaker).

Help Us Focus on Fighting Terrorism

¶3. (SBU) In an October 24 meeting, Prime Minister Syed Yousaf Raza Gilani told David Goldwyn, Secretary's Advisor on Energy Affairs and head of the U.S. Delegation to the U.S.-Pakistan Energy Dialogue, that the energy shortage, along with terrorism and stabilizing the economy were the main challenges Pakistan faces. "Even if the economy and law and order improve," Gilani said, "we still have to provide electricity if we are to satisfy the public" and provide services for the people to help distance them from their support for terrorism. Gilani said the GOP feared that electricity shortages could lead to riots, as well as both physical and political insecurity.

¶4. (SBU) Gilani stressed that the GOP - and donors - need to think in immediate, prioritized terms to tackle Pakistan's

energy woes. "There is no quick fix," the PM acknowledged. The PM said that Pakistan is reorganizing to better address the situation, including making the distribution companies (DISCOs) autonomous to improve their performance, and "has already cleared the circular debt left by the previous government." Strengthening the existing generation and distribution capacity would give Pakistan approximately another 440 megawatts (MW), and emphasis on energy saving will reduce demand. Installing smart meters alone would increase revenue and save some 200 MW, Gilani said.

GOP Urged to Follow Through

15. (SBU) S/CIEA Goldwyn called the GOP decision to raise energy tariffs by six percent on October 1 a significant, positive signal of the GOP's determination to address its deepening energy crisis. He acknowledged that difficult decisions need to be made, but encouraged the GOP to continue with the remaining price increases and commended the government's "extremely sound energy plan." The proof, however, would be in the implementation and Goldwyn encouraged the Prime Minister to appoint a single individual to oversee GOP efforts, taking the burden from busy ministers. Keeping the implementation plan on schedule would enhance GOP credibility and Goldwyn expressed his confidence that, if all goes well with the early and medium term tasks, Pakistan would be more attractive to foreign investment in the energy sector.

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16. (SBU) Gilani agreed that putting the GOP on a "wartime footing" to address the energy crisis was a good idea, but said that he had already done so. A ministerial-level committee meets daily, Gilani said, and he himself oversees implementation. He promised that the committee would provide whatever updates or information the USG required. Gilani reported that 250 MW is expected to come fully on line not later than February from a Turkish power barge off Karachi, adding that improving Karachi's power situation will help make the city more stable. Making Pakistan "ready for summer (power demands)" is the highest priority.

17. (SBU) Secretary Finance Salman Siddique said that the "core issues" of the circular debt have been resolved, but that continued non-payment by Azad Jammu and Kashmir (AJK) and some federal ministries blocks smooth movement of funds. The Ministry of Finance had included in the FY 2009-2010 budget sufficient funds to cover the power bills of the Federally Administered Tribal Areas (FATA), but might have to identify funds to help other provinces make good on their bills. The Prime Minister said that the GOP can only impose penalties on non-payers when there is sufficient power.

Security

18. (SBU) The Prime Minister said that the recent terrorist attacks in Islamabad, Lahore and elsewhere were in response to Pakistani military actions against militants. The Brigadier General assassinated in Islamabad on October 23 was the brother-in-law of the PakMil commander in Waziristan, Gilani said, adding that "in two months" the Waziristan operation would be complete. The Pakistani military and people had the resolve to fight terrorism, but the world had to help Pakistan enhance its law enforcement capacity, who are the primary targets. Gilani said the GOP has asked NATO to interdict weapons entering Pakistan from Afghanistan with only limited success; anti-aircraft guns for example are still coming across the border.

19. (SBU) Comment: Gilani was well-briefed on the Energy Dialogue discussions (reported septel) and appears to be taking a more active role in overseeing Pakistan's energy crisis - we hope. With numerous ministries and government

entities involved in energy policy, Pakistan lacks an empowered, engaged decision maker who can address energy losses in the immediate term. While the Dialogue marked a turning point in engagement with the GOP on policy discussions, we must remain actively engaged to ensure that the GOP remains energized and focused. Ensuring such dialogue continues on a regular basis, and that it involves the Prime Minister and other key decision makers, will be essential to our progress.

PATTERSON